

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0881-02
Bill No.: HB 410
Subject: Taxation and Revenue - Sales and Use; Revenue, Department Of; Political Subdivisions
Type: Original
Date: February 9, 2015

Bill Summary: This proposal would add graphing calculators with a taxable value of \$150 or less to the list of items that are exempt from sales tax during the annual sales tax holiday for school supplies, and would lower the amount allowed for personal computers or computer peripheral devices from \$3,500 to \$1,500.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	\$0	(Less than \$442,989)	(Less than \$442,989)
Total Estimated Net Effect on General Revenue	\$0	(Less than \$442,989)	(Less than \$442,989)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
School District Trust	\$0	(Less than \$147,663)	(Less than \$147,663)
Conservation Commission	\$0	(Less than \$18,458)	(Less than \$18,458)
Parks, and Soil and Water	\$0	(Less than \$14,766)	(Less than \$14,766)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(Less than \$180,887)	(Less than \$180,887)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	(Less than \$572,932)	(Less than \$572,932)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** noted this proposal would add graphing calculators valued at \$150 or less to the sales tax holiday in August, and would reduce the maximum sales price of personal computers and peripheral devices eligible for the sales tax exemption from \$3,500 to \$1,500.

BAP officials used information provided by the Department of Elementary and Secondary Education (DESE) which indicated there were 98,442 students enrolled in Pre-Algebra or Algebra I in 2012. BAP officials assumed each of these students was a new algebra student that required a new graphing calculator, or $(98,442 \times \$150) = \$14,766,300$ in purchases. BAP officials noted it is possible (or even likely) that not every student would make a qualifying calculator purchase. BAP officials stated they had no data to indicate how many the purchases would be made in stores vs. by e-commerce, nor does BAP have data to indicate how many of these sales might occur during the holiday.

BAP officials stated they could not estimate the number and price of computers and peripheral devices sold during the sales tax holiday but noted that reducing the price cap on these items may result in an unknown positive impact on revenues.

Oversight assumes many but not necessarily all of the graphing calculators in the BAP estimate of sales would be purchased during the sales tax holiday. Oversight also notes that local governments could opt out of the sales tax holiday. Oversight has calculated the following estimated impact of the proposed sales tax exemption for graphing calculators based on the BAP estimate of qualifying sales.

ASSUMPTION (continued)

Fund	Sales Tax Rate	Estimated Revenue Reduction
General Revenue	3.0000%	\$442,989
School District Trust	1.0000%	\$147,663
Conservation Commission	0.1250%	\$18,458
Parks, and Soil and Water	0.1000%	\$14,766
Local Governments *	3.8800%	\$572,932
* The 3.88 percent average local government sales tax rate was calculated by Oversight based on tax collections reported by the Department of Revenue.		

Oversight notes the amounts calculated would be the maximum amounts for the sales tax exemption, and will indicate a fiscal impact up to those amounts.

Oversight notes the reduction in the maximum price on qualifying personal computers could lead to an increase in sales tax revenue, since fewer purchases would be qualified for the sales tax exemption. Oversight has no specific information regarding the number or amount of sales of personal computers and peripherals, but notes the proposed \$1,500 cap exceeds the allowable cost for a personal computer based on OA budget guidelines for desktop and notebook computers. Oversight assumes the impact of this provision would be relatively low but is unable to estimate the impact of the reduced price cap on qualified purchases during the sales tax holiday. Oversight will indicate an unknown revenue increase for this provision and assumes the revenue increase would be less than the revenue reduction caused by the sales tax exemption for graphing calculators.

ASSUMPTION (continued)

Oversight notes that sales tax revenues in the School District Trust Fund are allocated to Missouri school districts according to a formula in Section 163.087, RSMo. but Oversight will not include those distributions in this fiscal note.

Oversight also notes the proposal would become effective after the sales tax holiday in August of 2015 (FY 2016) so the first impact would be in FY 2017.

Officials from the **Department of Conservation (MDC)** assume this proposal would have an unknown negative fiscal impact to their organization, but greater than \$100,000. MDC officials stated Conservation Sales Tax funds are derived from a one-eighth of one percent sales and use tax pursuant to the Missouri Constitution. MDC officials deferred to the Department of Revenue for an estimate of the anticipated fiscal impact for this proposal.

Officials from the **Department of Natural Resources (DNR)** stated the Department's Parks and Soils Sales Tax funds are derived from a one-tenth of one percent sales and use tax pursuant to the Missouri Constitution. DNR officials deferred to the Department of Revenue and Office of Administration - Division of Budget and Planning for a more detailed account of the fiscal impact of this proposal.

Officials from **Cole County** stated they could not provide an estimate of the fiscal impact of this proposal.

Officials from the **City of Columbia** stated their organization would have no fiscal impact from this proposal since the City had opted out of the sales tax holiday.

Officials from the **Office of the Secretary of State**, the **Joint Committee on Administrative Rules**, the **Department of Revenue**, **St. Louis County**, the **Platte County Board of Elections**, and the **St. Louis County Directors of Elections** assume this proposal would have no fiscal impact on their organizations.

FISCAL IMPACT - State Government

FY 2016
(10 Mo.)

FY 2017

FY 2018

GENERAL REVENUE FUND

Revenue increase

Reduced cap on computer equipment cost
 Section 144.049

\$0

Unknown

Unknown

Revenue reduction

Sales tax exemption graphing calculators
 Section 144.049

\$0

(Up to
\$442,989)

(Up to
\$442,989)

**ESTIMATED NET EFFECT ON
 GENERAL REVENUE FUND**

\$0

**(Less than
\$442,989)**

**(Less than
\$442,989)**

SCHOOL DISTRICT TRUST FUND

Revenue increase

Reduced cap on computer equipment cost
 Section 144.049

\$0

Unknown

Unknown

Revenue reduction - DOR

Sales tax exemption graphing calculators
 Section 144.049

\$0

(Up to
\$147,663)

(Up to
\$147,663)

**ESTIMATED NET EFFECT ON
 SCHOOL DISTRICT TRUST FUND**

\$0

**(Less than
\$147,663)**

**(Less than
\$147,663)**

FISCAL IMPACT - State Government
 (Continued)

FY 2016
 (10 Mo.)

FY 2017

FY 2018

**CONSERVATION COMMISSION
 FUND**

Revenue increase

Reduced cap on computer equipment cost
 Section 144.049

\$0

Unknown

Unknown

Revenue reduction - DOR

Sales tax exemption graphing calculators
 Section 144.049

\$0 (Up to \$18,458) (Up to \$18,458)

**ESTIMATED NET EFFECT ON
 CONSERVATION COMMISSION
 FUND**

\$0 (Less than \$18,458) (Less than \$18,458)

**PARKS, AND SOIL AND WATER
 FUNDS**

Revenue increase

Reduced cap on computer equipment cost
 Section 144.049

\$0

Unknown

Unknown

Revenue reduction - DOR

Sales tax exemption graphing calculators
 Section 144.049

\$0 (Up to \$14,766) (Up to \$14,766)

**ESTIMATED NET EFFECT ON
 PARKS, AND SOIL AND WATER
 FUNDS**

\$0 (Less than \$14,766) (Less than \$14,766)

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
LOCAL GOVERNMENTS			
<u>Revenue increase</u>			
Reduced cap on computer equipment cost Section 144.049	\$0	Unknown	Unknown
<u>Revenue reduction - DOR</u>			
Sales tax exemption graphing calculators Section 144.049	<u>\$0</u>	(Up to <u>\$572,932</u>)	(Up to <u>\$572,932</u>)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0</u>	(Less than <u>\$572,932</u>)	(Less than <u>\$572,932</u>)

FISCAL IMPACT - Small Business

This proposal could have an impact on a small business which purchased qualifying computer equipment.

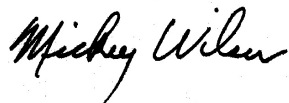
FISCAL DESCRIPTION

The proposed legislation would add graphing calculators with a taxable value of \$150 or less to the list of items that are exempt from sales tax during the annual sales tax holiday for school supplies, and would lower the maximum amount allowed for personal computers or computer peripheral devices from \$3,500 to \$1,500.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Conservation
Department of Natural Resources
Department of Revenue
Cole County
Platte County
St. Louis County
City of Columbia
St. Louis County Directors of Elections



Mickey Wilson, CPA
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February 9, 2015

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February 9, 2015